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SUBJECT: KOSTI RIVER PORT SHOWS SIGNS OF PROGRESS, BUT DRY PORT LAYS IDLE

REF: 07 KHARTOUM 1926

¶1. (SBU) Summary: In a recent visit to the Nile-river city of Kosti, econoff observed progress on the ongoing refurbishment of Kosti's old but active river port, which is now in the hands of a private investment group from Kuwait. Port officials told econoff that the volume of goods transported from Kosti to the South (primarily foodstuffs and other commodities) increased over 30 percent in 2008, a trend they expect to continue even after the 2011 referendum on southern self-determination. The unrelated Kosti dry port, a logistics depot built by the state-owned Sea Ports Corporation to speed up the transport of goods from Port Sudan to the South, remains unutilized however. Officials claim it will become operational in March 2009. End Summary.

¶2. (SBU) On January 26, econoff visited the Kosti River Port in White Nile State. A deal to privatize the port's operator, the River Transport Authority, was announced in late 2007 and has now been completed, according to port officials. The newly formed Nile Company for River Transport took ownership of Sudan's river ports in July 2008 and has been actively rehabilitating the facilities at Kosti, they said. (Note: The new company is 70% owned by the Aref Investment Group of Kuwait, 20% by the Government of National Unity, and 10% by the Government of South Sudan. End Note.) Econoff toured the new office buildings that have been constructed along the quay, which include a cafeteria and a computer training center. Port officials told econoff that they have signed a contract with an Egyptian firm to rehabilitate its entire fleet of barges, including 17 push tugs (capacity of 2,000 metric tons each) as well as numerous smaller barges designed for carrying oil, dry goods, and passengers. Welders could be seen rehabilitating several dilapidated barges along the docks.

¶3. (SBU) According to port officials, the Kosti River port is used primarily for transport of foodstuffs and other commodities - including cement, fuel and sugar - to South Sudan. In the port's shoddy warehouses, stacks of bottled water and sacks of grain could be seen, as well as basic household items such as plastic chairs and floor mats. Officials told econoff that the port possesses a land crane and a floating crane capable of lifting 35 and 25 metric tons at a time, respectively, but these are apparently only used for heavy equipment, as econoff witnessed scores of men carrying goods on their backs onto the barges destined for Malakal and Juba. Port officials stated that it takes approximately 20 days to cover the 1435 kilometer distance from Kosti to Juba, a route which is navigable from July up until March, when it becomes impeded by shifting sands, shallow waters and exposed rocks. Waterweeds also can be problematic between Malakal and Juba, slowing down and damaging barge propellers, they said.

¶4. (SBU) Port officials say that their business has reaped a dividend from the 2005 Comprehensive Peace Agreement and an additional boost from privatization: in 2008, over 87,000 metric

tons of material was transported to the South, compared to 65,000 metric tons in 2007. They believe they have the capacity to ship up to 115,000 metric tons per year to the south if there is sufficient demand. They fully expect the flow of commerce to continue in the event of a post 2011-secession. "The South cannot be developed without the flow of goods from the North. River transport is critical," said one.

¶ 15. (SBU) Econoff also visited the Kosti Dry Port, a logistics depot built by the state-owned Sea Ports Corporation to speed up the transport of goods from Port Sudan to the South. It is envisioned that material with a final destination in the South will be transported to Kosti's dry Port for customs clearance, inspection and storage when the dry port becomes operational. The facility boasts an area of two million square meters with a warehouse capacity of 150,000 containers, as well as two reach stackers, four forklifts with 10-ton capacity, and a 50-ton capacity crane. Although the Dry Port project was launched in 2005, little progress appears to have been made since emboff last visited Kosti in December 2007 (reftel). The port remains completely devoid of cargo, and is staffed by only a few individuals idling in the vast warehouse offices. Dry port officials declined to elaborate on the delay in the Port's operations, noting only that they were expected to commence in March 2009.

¶ 17. (SBU) Comment: River transport can play a critical role in boosting the economy of southern Sudan, as air transport remains expensive and the road network is blocked during the long months of the summer rainy season. Furthermore, not all roads are fully de-mined. There are still significant challenges to be overcome, but traditional North-South economic linkages such as Nile River transport ought to be encouraged and supported by donors to deepen

KHARTOUM 00000170 002 OF 002

the symbiotic relationship between North and South as we head toward the 2011 referendum.

FERNANDEZ